



# NEWS RELEASE

CALIFORNIA STATE TREASURER PHILIP ANGELIDES

**MEDIA ADVISORY**  
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## **TREASURER CALLS ON PUC PRESIDENT LYNCH TO RECONSIDER UNFAIR \$8 BILLION SHIFT IN POWER COSTS TO CONSUMERS**

SACRAMENTO – State Treasurer Philip Angelides today released a letter to PUC President Loretta Lynch urging the Commission to modify the cut off date for allowing large business power consumers to flee from paying their fair share of the energy purchased by the State on their behalf during a time of crisis earlier this year.

“The enormous cost to California consumers of the PUC’s delay has now become clear,” said Treasurer Angelides. “Because of the failure to timely suspend direct access, as required by law, homeowners, small businesses and other enterprises still served by the utilities and the State could have to absorb over \$800 million in costs through December 2002. This stampede could shift over \$8 billion in costs to these consumers in coming years.”

This matter was originally agendized at the PUC for June 14. However, the PUC did not act until September 20, enacting a direct access cut off date of September 20, rather than the requested date of July 1. It is projected that the direct access load grew from 2% to 13% during that period (between July 1 and September 20).

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PHILIP ANGELIDES  
Treasurer  
State of California

October 19, 2001

Ms. Loretta Lynch  
President  
Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Dear Ms. Lynch:

In June of this year, this office urged the Public Utilities Commission (PUC) to act expeditiously to suspend direct access pursuant to the law (AB 1x) enacted in February. This action was necessary to protect California consumers and small businesses against unfair utility rate burdens and to ensure that all utility users – including big businesses seeking direct access – paid their fair share of the energy purchased by the State on their behalf in a time of crisis.

Unfortunately, the PUC continually delayed action on this matter, notwithstanding our urging to act on the suspension of direct access and the other matters necessary to sell the Department of Water Resources (DWR) energy bonds. While this matter was first agendaized at the PUC for June 14<sup>th</sup>, the PUC did not act until September 20<sup>th</sup>. Furthermore, when the PUC did finally take action, it enacted a direct access cut off date of September 20<sup>th</sup>, despite requests for a cut off date of July 1<sup>st</sup>.

The enormous cost to California consumers of the PUC's delay has now become clear. Because of the failure to timely suspend direct access as of July 1<sup>st</sup>, homeowners, small businesses, and other enterprises still served by the utilities and DWR could have to absorb over \$800 million in costs through December 2002. It is estimated that the direct access stampede, which occurred as the PUC failed to act, could result in a cost shift to these consumers of more than \$5 billion through 2010.

Furthermore, the delay in action will also result in consumers and businesses still served by the utilities and DWR paying for the subsidy which the State provided in 2001 to those businesses which have now chosen direct access, but which enjoyed subsidized power costs through DWR earlier this year. The tab for this cost shift is an additional \$3.2 billion over the life of the planned DWR bonds.



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If the PUC had acted on August 23<sup>rd</sup>, as planned, this matter could have been resolved in a fair manner. It is projected that, as of July 1<sup>st</sup>, approximately 2% of the total load was served by direct access. It is estimated that, by August 31<sup>st</sup>, that number had grown to 5.7%. From August 31<sup>st</sup> to September 20<sup>th</sup>, the number apparently soared to over 13%.

What has occurred is not fair to the consumers of California. Any direct access plan must ensure that all utility users pay their fair share of the subsidy they received from the State and that consumers are protected from unfair cost shifts.

The PUC must take the actions necessary to rectify this situation. In its decision of September 20<sup>th</sup>, the PUC reserved the right to modify the cut off date to include the suspension of direct access as of July 1<sup>st</sup>. I urge the PUC to act immediately to modify the cut off date to ensure fairness.

Thank you for your consideration.

Sincerely,

Philip Angelides  
State Treasurer